

## **Beliatta Pradeshiya Sabha - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Beliatta Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial operations, statement of changes in net assets, cash flow statement for the year and notes to the financial statements including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018, sub-section 172(1) of the Pradeshiya Sabha Act No. 15 of 1987. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Beliatta Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Practices.

#### **1.2. Basis for Qualified Opinion**

I expressed qualified opinion on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Practices, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

#### **1.4 Responsibility of the Auditor for the audit of Financial Statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Pradeshiya Sabha and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha ;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## **1.5 Report on Other Legal Requirements**

National Audit Act, No. 19 of 2018 include specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

## 1.6 Audit Observations on the preparation of Financial Statements

### 1.6.1 Accounting Deficiencies

	<b>Audit observations</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a)	A total of Rs.3,922,152 of which could not be capitalized recurrent expenses were accounted under land and buildings.	That will be corrected in the year 2024.	Expenses must be properly accounted for.
(b)	Receivable and to be billed stamp duty income were under-accounted by Rs.3,231,216 and Rs.3,095,766 respectively.	That will be corrected in the year 2024.	Income should be properly accounted for.
(c)	The capital expenditure of Rs.1,669,959 paid for the development of Beliatta Kotiagodella stadium in the previous year had not been accounted under land and buildings.	That will be corrected in the year 2024.	Capital expenditure should be properly accounted for.
(d)	The 24 items of inventory totalling Rs.1,393,592 were accounted for under machinery and equipment and timber and fixtures.	That will be corrected in the year 2024.	Inventory should be properly accounted for.
(e)	Due to accounting of process deposit of Rs.1,195,766 related to the previous years as income in the year under review, the service fee income had been over-stated by that amount.	That will be corrected in the year 2024.	Income should be properly accounted for.
(f)	The total value of 04 management information systems purchased in 2017 was amounting Rs.720,000 and was not accounted as intangible assets but was accounted under Plant and machinery.	That will be corrected in the year 2024.	Assets must be properly accounted for.
(g)	Non-refundable library deposits amounting to Rs.545,150 were accounted as deposits without being accounted as income.	That the library deposit balance of more than 05 years will be taken into income.	Income must be accounted for correctly.
(h)	The value of fixed deposits was over-accounted by Rs.470,318.	That will be corrected in the year 2024.	Fixed deposit value correctly must be accounted for.
(i)	The total value of 08 Inventory items were under accounted by Rs.130,338 and the total value of 05 Inventory items were over accounted for by Rs.21,345.	That will be corrected in the year 2024.	Stock should be properly accounted for.

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|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|---------------------------------------------------------------------------------------|
| (j) | The over-reimbursed councilor's member expenses of Rs.94,306 were not accounted for as a payable balance and the compost stock costing Rs.73,120 was not accounted for as a stock in hand. | That will be corrected in the year 2024. | Balances payable and closing stock should be accurately identified and accounted for. |
| (k) | Six 120 L garbage cans worth Rs.105,000 and 03 water tanks of 2000 L which amounting Rs.69,580 were not accounted for under consumables goods.                                             | That will be corrected in the year 2024. | Stock should be properly accounted for.                                               |

## 1.6.2 Lack of Documentary Evidences for Audit

Audit observations	Comments of the Council	Recommendation
Non-submission of required information, total Rs.1,479,612 06 accounting subjects could not be checked satisfactorily during the audit .	That the files and documents related to these balances cannot be found, and that some balances are the balances that have existed for several years.	Evidence must be submitted to confirm the account balances shown in the financial statements.

## 1.7 Non- Compliances

### 1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions.

Reference to Non-compliance Laws, Rules Regulations etc.	Comments of the Council	Recommendation
(a) Section 134 (1) of the Pradeshiya Sabha Act No. 15 of 1987	Although it is possible to identify developed areas in the council jurisdiction and revise the assessment jurisdiction , without doing so during the year under review also assessment tax was levied only from the developed areas identified in the year 1991.	In the future, developed village areas will be identified and assessment activities will be carried out.
(b) Paragraph 02 of the Local Government Commissioner's (Southern Province) Circular No. Dapapa/Papaco/20 10/01 dated 27 December 2010	A portion of 2860 square feet located on the second floor of the council office building had been given to a private party without charging any rent from December 2013 till 22 nd January 2024, the date of audit.	That the Valuation Department was informed to obtain a Valuation Report. Proceed as per the provisions of the circular.

- (c) Paragraph 04 of the Local Government Commissioner's (Southern Province) Circular No. Dapapa/Papako/20/10/01 dated 27 December 2010
- In the case of leasing of shop rooms, although the sum should be recovered at once or within 6 months upon the request of the lessee, the sum of key money of Rs.5,140,000 to be received from 20 shop rooms transferred to non-relative lessees was not collected, and that time period was between 02 and 09 years.
- That advice has been sought from the Local Government Commissioner on the issue.
- Proceed as per the provisions of the circular.

## 2. Financial Review

### 2.1 Financial Result

According to the presented financial statements, the income exceeding the recurrent expenditure of the council for the year ending December 31 of the year under review was Rs.22,895,496 . Correspondingly, the income exceeding the recurring expenditure of the previous year was Rs.3,077,515 .

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Source of Revenue	2023				2022			
	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)	Estimated Revenue (Rs)	Revenue billed (Rs)	Revenue Collected (Rs)	Arrears as at 31 December (Rs)
Other taxes	5,200,700	5,086,094	5,008,395	2,718,814	4,027,000	4,288,942	3,402,190	2,641,115
Rent	13,115,800	9,770,509	8,397,745	3,392,491	7,139,280	5,679,724	5,652,114	2,019,727
License fees	1,911,200	2,104,745	1,805,115	302,750	1,736,000	1,378,663	1,382,814	3,120
Other income	10,648,200	16,525,935	21,185,022	804,902	9,907,450	13,090,184	10,466,391	5,463,989
<b>Total</b>	<b>30,875,900</b>	<b>33,487,283</b>	<b>36,396,277</b>	<b>7,218,957</b>	<b>22,809,730</b>	<b>24,437,513</b>	<b>20,903,509</b>	<b>10,127,951</b>

#### 2.2.2 Performance in Revenue Collection

	Audit observations	Comments of the Council	Recommendation
(a)	In accordance with Sections 158 (1) and 159 (1) of the Pradeshiya Sabha Act respectively , action was not taken to charged Rs.2,477,094 tax due from 1294 assessment units and	Rs.193,311 assessment taxes and Rs'813,557 shop rents were recovered and the remaining arrears are being recovered .	Arrears should be recovered as soon as possible..

Rs.1,483,410 rent to be received from 24 shops owned by the council.

- (b) Business and industry tax amounting to Rs.208,770 due from 151 business units should be collected by 31 st March 2023 as per the gazette announcement No. 2310 dated 09 th December 2022 , but the same had not been done .
- That Rs. 106,560 have been recovered, and the governor was directed to cut off Rs. 21,250, and that the rest of the arrears are being recovered.
- The arrears should be recovered promptly.
- (c) The second and third floors of Beliatta New Mall were leased to a lessee for a period of 30 years from 07 January 2016. According to paragraph No. 06 of Southern Local Government Commissioner's Circular No. Dappa/Papako/2010/01 dated 27 December 2010 and condition No. 2.02 of the lease agreement, the assessed tax amount should be revised every 05 years by a new assessment, but without doing so on 13 July 2015 The rental amount of Rs.100,000 given by the valuation report dated was still being collected. Also, according to the agreement, the monthly rent should be paid before the 10th day of the relevant month, but as the lessee did not pay the rent, the outstanding balance was Rs. 832,500.
- That the surveying work has been done for the assessment and further work will be done after receiving the assessment report and that further action will be taken regarding the arrears of rent.
- It should be done according to the provisions of the circular and according to the terms of the lease agreement.
- (d) Although an valuation report was given that a monthly rent of Rs.9,000 should be charged for the fish shop located in the fishing building belonging to the council, the council decided to charge a monthly rent of Rs.5,000 without doing so. Therefore for the period from 29 th January 2020 to 31 st December 2022, a rental amount of Rs. 110,000 had been lost to the council fund.
- That will be recovered
- The loss to the council fund should be recovered from the concerned parties promptly.
- (e) The receivables of rent of machinery and lease of trade rights amounting to Rs.1,273,489 and Rs.115,959 respectively had not been recovered.
- That Rs.128,900 was recovered as machinery rent
- Arrears should be recovered promptly.
- (f) According to the 2023 business survey report, 09 permanent billboards were under-billed by Rs.139,200.
- That will recover the undercharged value for billboards.
- The annual survey should be done correctly and the relevant fees should be collected.

- (g) The stamp duty due from the Chief Secretary of the Provincial Council as on December 31 of the year under review was Rs.31,401,829. Rs. 8,680,257 have been recovered and the rest of the arrears will be collected. To collect arrears should be dealt with .

### 3. Operational Review

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public roads, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Council under Section 3 of the Pradeshiya Sabha Act are shown below.

#### 3.1 Management Inefficiencies

Audit observations	Comments of the Council	Recommendation
(a) Building plan of No. BA/BPS/20/100(U) for construction of commercial building measuring 270.4 square meters with ground floor and first floor was approved at 27 November 2020. A second floor, that not mentioned in the approved plan had also been constructed and no arrangements had been made to collect the cover approval fees of Rs.270,400 for the second floor. Also, although business activities should not be conducted without paying a fee of Rs. 5,000 and without obtaining the compliance certificate, but business activities were being conducted in the shops inside the ground floor.	That illegal constructions will be removed and legal action will be taken against starting business activities without obtaining compliance certificates.	Action should be taken to be charged Coverage approval fees and compliance fees.
(b) Application No. DS/BPS/22/103(U) had been approved on 02 <sup>nd</sup> February 2023 for sub-division of 26.68 perches of 12 acres. The amount of 03 roods and 31 perches due to the council from this land was given in two places of the land, and it was observed that it consisted of pits and places filled with water of low commercial value and which could be developed and utilized after spent at considerable cost. Moreover in here the council management took the land due to the council without inspection and had not been act to reserve a suitable plot.	That the pit cut by the auctioneer has been moved to the corner of the land and that the deed of the land is legally registered in the name of the council.	Aaction should be made to reserve a piece of land that can be used effectively.
(c) In the year under review, 07 industries that had been issued trade licenses by the council did not obtain the environmental protection license and 30 industrial units whose environmental protection license expired in the years 2019, 2022 and 2023 did not renew the environmental protection license. The council management had not been focused on license fee revenue collection of Rs.183,150 .	Applications for 19 industries have been received and further work is being done to grant licenses, and other industries have been informed to obtain environmental licenses.	Action should be taken to encouraged for obtain environmental licenses.

### 3.2 Assets Management

<b>Audit observations</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
(a) The 02 vehicles which have been taken out of service for a period between 84 and 108 months without repairing and utilizing or disposing of them, And the vehicles were being left in the open ground and were subjecting them to decay.	The two cabrathas have been recommended for disposal and the work will be completed soon	Action should be taken to vehicle properly Vehicles disposal or repaired and put to good use.
(b) By the end of the year under review, the legal rights of 28 lands and buildings had not been transferred to the council.	That the ownership of 09 lands has been taken over and the necessary arrangements are being made to take over the remaining lands.	Urgent steps should be taken to take legal ownership of the assets.

### 3.3 Delays in Project Activities or Capital work

<b>Audit observations</b>	<b>Comments of the Council</b>	<b>Recommendation</b>
The 10 development proposals with a total value of Rs.6,500,000 included in the 2023 budget were not implemented in the year under review.	That 05 development proposals have been completed in the year under review.	Development proposals for which provision has been made in the budget should be implemented.

### 3.4 Procurement Management

<b>Audit observations</b>	<b>Comments of the Council</b>	<b>Recommendations</b>
(a) As per Section 5.6.1 (a) of the Government Procurement Guidelines 2006, the specifications for goods or works to be procured shall not be narrower than necessary to achieve the procurement objectives, but in respect of the purchase of tires and tubes with an aggregate value of Rs.580,000, it had not been done that way.	That many deficiencies in the subject of procurement have been identified and rectified.	Procurement should be done as per the provisions of the Code .
(b) According to section 7.11 of the procurement guidelines, recommendations of a technical evaluation committee should be obtained when purchasing street light sets, but 20 Cobra street lights worth Rs.355,000 were purchased without doing so.	That the procurement committee has technical officers as members and that they have contributed that the technical evaluation committee for this procurement	Procurement should be done as per the provisions of the Code .



- (c) Contrary of the provisions of clause 3.8 of the Code of Procurement Guidelines, 902 of 120-page CR books and 82 of 80-page CR books with a total value of Rs.98,810 were purchased for prizes for the student skill program. That he acted according to the written instructions of the Commissioner of Local Government Procurement should be done as per the provisions of the Code.

### 3.5 Defects in Contract Administration

Audit observations	Comments of the Council	Recommendations
(a) Although Rs.161, 439 had been paid as price increases for the development industry of Kotiagodella D.A Rajapaksa Stadium, the amount that could be paid as price increases was Rs.79,574 and the overpaid amount was Rs.81,865.	That will be recovered from the retention money.	Overpayments should be recovered.
(b) Although the construction works related to 04 road development projects with a total value of Rs.3,997, 652 had been completed, stones were not used on the road in those projects, stones were not laid on the road parallel to the concrete embankments, and the sections where stones were laid on the road were higher than and lower than the concrete embankments in some places. And also it was observed that the gaps were not being filled between the concrete walls and the stone-paved sections.	That observation is accepted.	Payments should be made after completion of the construction work as per the prescribed standard.
(c) Although the places where concrete blocks can be obtained for the industries which were implemented in the year 2023 from the council fund should be taken into account and the transport costs should be calculated and paid considering the distance between that place and the location of the industry. However, without doing so, estimates were prepared and payment of Rs.298, 073 was made stating that the concrete blocks would be transported at a distance of 20 kilometers for 06 industries that had completed the work, but the details of the place and distance where the concrete blocks was purchased were not submitted to the audit.	The locations and distances of blocks purchased have been inquired from the respective contract societies and will be submitted for audit after receiving them.	Payment must be made after ascertaining the exact distance transported of the concrete blocks.

### 3.6 Human Resources Management

Audit observations	Comments of the Council	Recommendations
By the end of the year under review, 25 redundancies related to 05 positions had not been formalized, since the approved and actual working bodies of the council were 91 and 103 respectively.	That the instructions received regarding excess employee.	Efforts should be made to formalized staff redundancies.